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United States & International

Banks as Nominees, Historical Architecture of Credit, and the Fiduciary Remedy Through International Grantor Trust Filings

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Executive Summary

Modern banking does not operate on the principle of lending pre-existing funds. Instead, banks create credit ex nihilo from the borrower's signature—a fact confirmed by historical statutes, central bank publications, and academic research. This paper examines:

- **Bills of Exchange Act 1882** – Establishes negotiable instruments as the foundation of credit.
- **Federal Reserve Act 1913** – Institutionalized fiat credit issuance.
- **House Joint Resolution 192 (1933)** – Abolished gold settlement and pledged the people's credit.
- **Bank of England (2014)** – Admitted loans create deposits, not vice versa.
- **Richard Werner (2014)** – Empirical proof that banks create money out of nothing.
- **IRS Publication 1212** – Confirms nominee reporting and provides the pathway for correction.
- **Fiduciary Remedy** – Filing through a 98-Series International Grantor Trust as the most efficient pass-through entity.

Section 1: Historical Foundations

1. Bills of Exchange Act 1882

- **Key Provisions:**
  - Every signed instrument (loan, mortgage, promissory note) is a **negotiable instrument**.
  - Such instruments can be endorsed, discounted, and securitized.

- **Impact:**
  Your signature creates a financial asset. Banks monetize this asset without lending reserves, making you the true source of credit.

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2. Federal Reserve Act of 1913

- **Key Provisions:**
  - Established the Federal Reserve System.
  - Enabled credit issuance backed by signatures rather than gold.
- **Impact:**
  Institutionalized fiat money creation and centralized control of credit, shifting the system from substance (gold) to promises (negotiable instruments).

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3. House Joint Resolution 192 (1933)

- **Key Provisions:**
  - Abolished gold-backed contracts.
  - Declared all debts dischargeable in legal tender.
- **Impact:**
  All obligations became prepaid because the government pledged the people's credit as collateral for the financial system. This created the foundation for today's credit-based economy.

Section 2: Modern Banking Mechanics

Bank of England – *Money in the Modern Economy* (2014)

- **Admission:**
  "Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's account, thereby creating new money."
- **Impact:**
  Confirms that loans do not come from deposits; they are new money created at the moment of signing.

Richard Werner's Empirical Study (2014)

- **Finding:**
  Banks create money out of nothing during loan issuance. No transfer of funds occurs; the bank simply credits the borrower's account.
- **Impact:**
  Empirical proof of the accounting illusion behind modern banking.

Federal Reserve – *Modern Money Mechanics*

- **Admission:**
  Banks discovered they could create money by issuing promises to pay, not by lending deposits.
- **Impact:**
  Validates that your signature—not the bank's reserves—is the true source of value.

Section 3: Banks as Nominees – IRS Publication 1212

- **Core Principle:**
  IRS acknowledges that brokers and middlemen file OID as nominees for true owners.
- **Impact:**
  - Banks file **Forms 1099-OID** in their own name, capturing credits generated by your signature.
  - If you do not file, the IRS treats your credit as abandoned property.
- **Jean Keating's Doctrine:**
  "Whoever files the 1099 is the creditor. The one who doesn't is the debtor."

Section 4: The Fiduciary Remedy – International Grantor Trust

Why It Is the Most Efficient Pass-Through Entity

- **Fiduciary Structure:**
  - Operates under a fiduciary license framework.
  - Positions the trust as a pass-through entity for the living creator of credit.

- **Advantages:**
  - Removes SSN-based debtor fiction.
  - Allows lawful reporting and refund claims under **Form 1041**, avoiding audit triggers associated with Form 1040.
  - Shields the living man/woman from liabilities tied to the corporate debtor estate.
- **Compliance Logic:**
  - Corrects nominee misreporting via **Form 1099-OID**.
  - Aligns with IRS algorithm requiring **Form 945 deposits ≥ Box 4 withholding**.
  - Enables ACH/Fedwire routing for large-dollar refunds.

Section 5: IRS Algorithm and Compliance

- **Rule:**
  Refunds cannot exceed what the withholding agent paid to the IRS.
- **Process:**
  - Banks remit withheld tax via **Form 945**.
  - IRS checks that **Form 945 deposits ≥ Box 4 withholding** on 1099-OID.
- **Filing Steps:**

1. Establish 98-Series Grantor Trust (obtain EIN).
2. File Form 56 (fiduciary authority).
3. File 1099-OID listing bank as nominee.
4. File Form 1041 claiming withheld credits.
5. Confirm Form 945 deposits before ACH/Fedwire request.

References

- **Bills of Exchange Act 1882** – UK Statute.
- **Federal Reserve Act 1913** – U.S. Statute.
- **House Joint Resolution 192 (1933)** – U.S. Congressional Resolution.
- **Bank of England (2014)** – *Money in the Modern Economy*.
- **Richard Werner (2014)** – *Can Banks Individually Create Money Out of Nothing?*.
- **Federal Reserve** – *Modern Money Mechanics*.
- **IRS Publication 1212** – Original Issue Discount Instruments.
- **Jean Keating** – Legacy transcripts on nominee filings.

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Conclusion

The historical, legal, and administrative evidence converges on one truth:
You are the creditor. Banks are nominees. The IRS provides the remedy—but only for those who file.
The 98-Series International Grantor Trust is the optimal structure for asserting fiduciary authority, correcting nominee misreporting, and reclaiming credits lawfully.

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